

Message Text

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ORIGIN NEA-12

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ASIA/CD:TAPEARSON/TSTERNER (DRAFT

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GC/ASIA:CGOLDSTEIN (DRAFT)

FM/LMD:JTGLAKAS (DRAFT)

EB/IFD:BCROWE (DRAFT)

L/NEA:ATBROWN (DRAFT)

M/FRM/FM: MANION (DRAFT

TREAS:MSCANNER (DRAFT)

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FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

INFO AMEMBASSY NEW DELHI

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E O. 11652: N/A

SUBJECT: MOV NEGOTIATIONS

REFS: (A) STATE 58245 (B) CA-1572, NOV. 17,1972

NEW DELHI FOR O'DONNELL

SUMMARY: THIS MESSAGE TRANSMITS DETAILED CALCULATION OF
ARREARAGE DUE ON MOV LOANS CURRENTLY UNDER DISPUTE. RUPEE
ARREARAGE FIGURES WILL CONSTITUTE OBLIGATION ONLY ON THOSE
LOANS WHERE PAYMENT IS TO BE MADE AT FEEC RATE. SUMMARIZED
BELOW IS GRAND TOTAL OF OBLIGATIONS (INCLUDING THOSE
TRANSMITTED PARA 3A OF REF (A)) TO MATURITY ON ICA LOANS:
(CENTS ROUNDED OFF)

SCHEDULED ARREARAGE: TOTAL SUPPLE-
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PAYMENTS SUSPENDED DOLLAR MENTAL
1/1/73 TO PAYMENTS DENOM. RUPEE OB-
MATURITY 10/70-10/72 OBLIGATION LITIGATION
LOAN (DOLS) (DOLS) (DOLS) (RUPEES)

B-001	3,753,110	269,014	4,022,124	1,725,474
G-005	3,058,283	310,403	3,368,686	1,945,003
G-006	6,737,780	606,308	7,344,088	3,874,242

IN ADDITION FOLLOWING ARREARAGES ON DLF LOANS WILL BE PART OF SETTLEMENT ALTHOUGH THERE IS NO DISPUTE ON EXCHANGE RATE:

A-002	--	295,599	295,599	785,677
A-004	--	110,124	110,124	382,502
A-007	--	9,142	9,142	19,904
A-003	--	NONE	NONE	645,955

FOLLOWING CRITERIA HAVE BEEN APPLIED TO CALCULATIONS:

A. SUPPLEMENTAL RUPEES: NO INTEREST IS CHARGED ON ARREARAGES AND EXCHANGE RATE CALCULATED AT FEEC ON DATE OF OBLIGATION RATHER THAN DATE OF PAYMENT.

B. SUSPENDED BILLINGS 10/70-12/72: INTEREST ON INTEREST HAS NOT RPT NOT BEEN CHARGED DURING SUSPENDED BILLING PERIOD BUT INTEREST ON INTEREST IS RPT IS CHARGED FROM 1/1/73. EXCHANGE RATES IN EFFECT ON DATE OF PAYMENT WILL APPLY. END SUMMARY.

1. ARREARAGES ARE MADE UP OF TWO DISTINCT CATEGORIES: (A) SUPPLEMENTAL RUPEES OWED BECAUSE OF PAST GSL PAYMENTS AT OFFICIAL EXCHANGE RATES WHEN PAYMENTS SHOULD HAVE BEEN AT FEEC'S; AND (B) DEFERRED PRINCIPAL PAYMENTS AND INTEREST STEMMING FROM SUSPENDED BILLINGS. THERE IS NO PRACTICAL WAY OF COMBINING BOTH SETS OF ARREARAGES INTO ONE PAYMENT SCHEDULE. LOAN AGREEMENT PROVISIONS REQUIRE BILLINGS IN DOLLARS, AND DOLLAR INVOICES FOR CATEGORY (A) WERE RENDERED ON ORIGINAL DUE DATES. ON OTHER HAND AMOUNTS NOW DUE THIS CATEGORY MUST BE BILLED IN RUPEES WHILE ARREARAGES CATEGORY (B) MUST BE BILLED IN DOLLARS.
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MOREOVER, IN COMPUTING PAST DUE AMOUNTS DIFFERENT CONCEPTS APPLY TO EACH CATEGORY OF ARREARAGES. THUS, CONSOLIDATION OF (A) AND (B) ARREARAGES NOT POSSIBLE.

2. SUPPLEMENTAL RUPEES: A. SINCE NEGOTIATIONS WITH GSL ON EXCHANGE RATE ISSUE STILL UNDERWAY AND OUTCOME AS TO WHETHER FEEC S WILL APPLY TO ALL THREE ICA LOANS WILL NOT BE KNOWN UNTIL NEGOTIATIONS CONCLUDED, SUPPLEMENTAL AMOUNTS DISCUSSED HEREIN COVER ALL ICA LOANS AS WELL AS UNCONTESTED DLF LOANS. SHOULD NEGOTIATIONS LEAD TO COMPROMISE RATE, FIGURES SHOULD BE ADJUSTED ACCORDINGLY.

(B) TOTAL SUPPLEMENTAL RUPEE ARREARAGE AMOUNTS TO RS. 9,379,747.19 AND ARISES FROM GSL PAYMENTS MADE AT OFFICIAL RATES DURING PERIOD MAY 8, 1968 TO SEPTEMBER 30, 1970 AND FROM JAN. 1, 1973 TO PRESENT. (NO ADDITIONAL SUMS WILL ACCUMULATE OVER NEXT THREE MONTHS AS THERE ARE NO PAYMENTS FALLING DUE ON ICA LOANS BETWEEN NOW AND JULY 1, 1974. ALSO, NO NEW ARREARAGES WILL ACCUMULATE ON DLF LOAN PAYMENTS BETWEEN NOW AND JULY 1, 1974 AS THESE PAYMENTS NOW BEING MADE AT FEEC.) FIGURE OF RS. 9,379,747.19 REPRESENTS DIFFERENCE BETWEEN AMOUNT COLLECTED FROM GSL AND FEEC RATE IN EFFECT ON ORIGINAL DUE DATE FOR RESPECTIVE BILLING. NO (RPT NO) INTEREST ON THIS AMOUNT WILL BE CHARGED. DECISION NOT TO INCLUDE INTEREST CHARGE ON THIS RUPEE ARREARAGE AND NOT TO REQUIRE PAYMENT AT FEEC RATE IN EFFECT ON DATE OF COLLECTION SHOULD BE PRESENTED AS SIGN OF GOOD WILL AND CONSIDERATION FOR GSL AGREEMENT TO NEGOTIATED RATE.

C. ANNEXURE A OF REF (B) PROVIDED LOAN BY LOAN DETAILS ON COMPUTATION OF SUPPLEMENTAL RUPEES OWED FOR MAY 1968-SEPT. 1970 PERIOD. FOLLOWING ARE DETAILS FOR SUMS OWED AGAINST GSL PAYMENTS MADE SINCE JAN. 1, 1973. ALL FIGURES IN RUPEES.

RATE	SUPPLEMENTAL	
BILLING DATE	DIFFERENTIAL	AMOUNT OWED

LOAN B-001:

JAN. 1, 1973	4.36	279,226.22
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JULY 1, 1973	3.95	255,085.31
JAN. 1, 1974	4.36	283,879.25
TOTAL		

LOAN G-005:

JAN. 1, 1973	4.36	319,674.85
JULY 1, 1973	3.95	293,271.70
JAN. 1, 1974	4.36	327,716.96
TOTAL		

LOAN G-006:

MAR. 1, 1973	4.19	627,017.16
SEPT. 1, 1973	4.1128	628,018.76
MAR. 1, 1974	4.36	678,859.76
TOTAL		

ADDING FOREGOING TO FIGURES IN ANNEXURE A OF REF (B), CUMULATIVE TOTAL OF SUPPLEMENTAL RUPEES DUE FOR EACH LOAN THUS STANDS AT:

B-001	1,725,473.81
G-005	1,945,993.08
G-006	3,874,241.84
A-002	785,677.36
A-003	645,954.51 (MATURED LOAN)
A-004	382,502.37
A-007	19,904.22

GRAND TOTAL 9,379,747.19

D. WE PROPOSE THAT GSL-USG SETTLEMENT PROVIDE FOR IMMEDIATE PAYMENT OF SUPPLEMENTAL RUPEE OBLIGATION. THIS ARRANGEMENT CAN BE JUSTIFIED TO CEYLONSE ON BASIS WE NOT CHARGING BACK INTEREST ON THIS AMOUNT BUT WE PROBABLY WOULD HAVE TO ASK INTEREST ON ANY PORTION OF SUPPLEMENTAL RUPEES OUTSTANDING BEYOND SETTLEMENT DATE. FYI: FURTHERMORE RUPEE AS OPPOSED TO DOLLAR BILLINGS WOULD COMPLICATE USG ACCOUNTING PROCESS. WE PREFER AVOIDING THOSE COMPLICATIONS. END FYI.

3. WITH RESPECT DEFERRED PRINCIPAL AND INTEREST, WISH LIMITED OFFICIAL USE
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CALL EMBASSY'S ATTENTION TO FOLLOWING ASSUMPTIONS AND/OR CONCEPTS UNDERLYING PAYMENT PLAN PROPOSED BELOW FOR THESE ARREARAGES:

A. ASSUMPTION IS MADE THAT FIRST PAYMENT ON ARREARAGES (WHETHER IN WHOLE OR IN PART) WILL BE JULY 1, 1974. IF ANOTHER DATE IS NEGOTIATED, INTEREST CALCULATIONS SHOULD BE REVISED.

B. SINCE EMBASSY HAS INDICATED DESIRE FOR LOAN BY LOAN BREAKDOWN OF ARREARAGES AND PAYMENT SCHEDULE, WE HAVE NOT USED WEIGHTED AVERAGE TO COMPUTE INTEREST. INTEREST CALCULATIONS ARE AT RATE APPLICABLE RESPECTIVE LOANS.

C. TWO BASES MUST BE USED TO COMPUTE INTEREST ACCRUED THROUGH DEC. 31, 1972. REASON IS THAT DURING SUSPENDED BILLING PERIOD NO GSL PAYMENTS WERE MADE ON OUTSTANDING LOAN BALANCES BUT COMMENCING WITH RESUMPTION OF BILLINGS ON JAN. 1, 1973, GSL HAS BEEN PAYING INTEREST ON PRINCIPAL OUTSTANDING MINUS DEFERRED PRINCIPAL. BILLING DATES ARE NOT SAME FOR ALL LOANS SO THAT LAST SUSPENDED BILLING DATE FOR SOME LOANS WAS JULY 1, 1972 AND FOR OTHERS SEPT. 1, 1972, OCTOBER 13, 1972, ETC THEREFORE, FOR INTEREST PERIOD COVERED BY ACTUAL SUSPENDED BILLINGS, INTEREST IS CALCULATED ON TOTAL PRINCIPAL OUTSTANDING AT THAT TIME. FOR INTEREST FROM LAST SUSPENDED BILLING DATE

THROUGH DEC. 31, 1972, INTEREST IS CALCULATED ON DEFERRED

PRINCIPAL ONLY.

D. PAYMENT PLAN DOES NOT (RPT NOT) ASSUME PAYMENT OF INTEREST ON INTEREST DURING SUSPENDED BILLING PERIOD.

E. PAYMENT PLAN ALSO REQUIRES CAPITALIZING SUSPENDED INTEREST, THAT IS, INTEREST ACCUMULATED DURING SUSPENDED BILLING PERIOD WHICH ENDED DEC. 31, 1972 IS ADDED TO DEFERRED PRINCIPAL, TOTAL OF WHICH ON JAN. 1, 1973 BECOMES CONSOLIDATED DEBT. INTEREST ON UNPAID PORTION OF CONSOLIDATED DEBT IS CHARGEABLE FROM JAN. 1, 1973 UNTIL CONSOLIDATED DEBT FULLY REPAID. FOLLOWING IS COMPUTATION OF CONSOLIDATED DEBT FOR EACH LOAN: (DOLLARS)

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INTEREST ON
DEFERRED DEFERRED CONSOLI-
DEFERRED INTEREST PRINCIPAL DATED DEBT
LOAN PRINCIPAL (FOOTNOTE 1) (FOOTNOTE 2) (1/1/73)

B-001	62,948.31	189,579.92	1,258.97	253,787.20
G-005	80,874.82	205,850.28	2,021.87	288,746.97
G-006	213,696.66	359,875.16	2,493.13	576,064.95
A-002	18,668.28	61,574.05	650.01	280,892.34
A-004	69,982.07	33,428.72	1,234.75	104,645.54
A-007	5,766.84	2,875.80	44.24	8,686.88
TOTALS	651,936.98	853,183.93	7,702.97	1,512,823.88

FOOTNOTE 1. COMPUTED ON OUTSTANDING LOAN BALANCE AS IT STOOD ON EACH SUSPENDED BILLING DATE.

FOOTNOTE 2. COMPUTED ON DEFERRED PRINCIPAL FROM LAST INTEREST PERIOD COVERED BY SUSPENSION FOR RESPECTIVE LOAN UP THROUGH DEC. 31, 1972.

F. IF CONSOLIDATED DEBT IS PAID IN FULL ON JULY 1, 1974, SCHEDULE WOULD BE AS FOLLOWS:

CONSOLI- DATED DEBT LOAN	INTEREST (1/1/73 TO 7/1/74) TOTAL (PER 1/1/73)	FOOTNOTE 3
B-001	253,787.20	15,227.23 269,014.43
G-005	288,746.97	21,656.02 310,402.99
G-006	576,064.95	30,243.41 606,308.36
A-002	280,892.34	14,706.44 295,598.78
A-004	104,645.54	5,478.84 110,124.38
A-007	8,686.88	454.81 9,141.69

TOTALS 1,512,823.88 87,766.75 1,600,590.63

FOOTNOTE 3. COMPUTED AT LOAN AGREEMENT INTEREST RATES.

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4. THIS OFFERS BASE FROM WHICH EMBASSY IF NECESSARY CAN
CALCULATE REPAYMENT PROJECTION OVER TWO, THREE OR
FOUR YEARS IN EQUAL INSTALLMENTS OF CONSOLIDATED DEBT.
AS CHECK, WE ARE POUCHING SEPARATELY THESE PROJECTIONS.
DECONTROL 12/31/75 RUSH

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<< END OF DOCUMENT >>

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